

TAX TIPS FOR VENDING MACHINE LICENSE

Things You Should Know

Definitions 30 Del. C., Chs 29

Every owner of a coin operated vending machine in this State, including amusement machines, music machines, cigarette vending machines and all merchandising machines regardless of the product dispensed, shall affix a label identifying the owner of the machine and the owners address, which identifying label shall not be less than 2 square inches in area. At the time of registration and at the request of the Division of Revenue on or before May 1st of each year, the owner is required to provide the Division of Revenue a report with the number and type of machines (vending, amusement, cigarette, other), the name of their customers and their locations either by completing Form 5004 or submitting an electronic version containing substantially this same information.

Effective for licenses beginning January 1, 2004, the Division of Revenue no longer issues decals which prior to that time were required to be affixed to each vending machine. Vending machine owners continue to pay an annual license fee for each machine and a business license will be issued indicating the number of machines which the owner may operate. . In addition, every vending machine owner is required to obtain a license as a retailer.

A retailer is every person engaged as owner or agent in the business of selling or exchanging goods for cash or barter or any other consideration on the assumption that the purchaser of such goods has acquired the goods for ultimate consumption and not resale; and includes automatic merchandising machine operators regardless of the product dispensed or vended, retail plant nurserymen and florists, hucksters, peddlers, trading stamp redemption stores, catalog stores and branch stores.

'Goods' includes merchandise, wares, metals, wood, gems or any tangible personal property whether new or used.

Gross receipts include total consideration received by a retailer for all goods sold or services rendered within the State. Consideration for goods sold or services rendered includes cash, checks, credit cards, gift certificates, travelers' checks, money orders, barter, trade-ins, manufacturer's coupons and rebates and any other consideration of any kind.

Gross Receipts Do Not Include:

- Tobacco products tax paid or payable to the State of Delaware
- Returned merchandise
- Like kind exchanges
- 'In Store' or 'Doubling' of manufacturer's coupons
- Sales of handmade painted or craft objects by the artist or craftsman of less than \$1,000 per year
- Sales by non-profit organizations exempt from Federal taxation under 501(c) of the Internal Revenue Code
- Certain sales to the State of Delaware which are administered by the Department of Administrative Services

Gross Receipts May Not be Reduced By:

- Cost of property sold
- Cost of material and/or labor
- Interest, discount or delivery costs
- State or Federal taxes

License and Gross Receipts Requirements

Vending machine owners are required to pay an annual \$5 fee (\$3 for cigarette vending machines) for each vending machine-- which must be renewed annually on or before December 31st of each year. A cigarette retail license is also required for operator selling cigarettes. The fee is \$15 for a three-year period and must be renewed on or before December 31st every third year.

A retailer's license is also required -- \$75 for the first location and \$25 for each additional location -- renewed annually on or before December 31st of each year. Additionally, every retailer must pay a gross receipts tax at the rate of .576% (.00576) on taxable gross receipts received from selling tangible personal property. The first \$80,000 (\$240,000 quarterly) of gross receipts received per month are exempt from the gross receipts tax. Specific instructions will be sent to you with your personalized gross receipts coupon book. To register with the Division of Revenue and obtain a business license, please complete a Combined Registration Application and mail to the Division of Revenue with the appropriate fee.

SPECIAL NOTE: ALL SALES TO THE STATE OF DELAWARE, THE UNITED STATES AND THEIR INSTRUMENTALITIES, AGENCIES AND POLITICAL SUBDIVISIONS ARE CONSIDERED WHOLESALE SALES.

Tax Rates and Exclusions

	Tax Rate	Monthly Exclusion
Retailer	.00576	\$80,000
Sample Calculation	Total Gross Receipts	\$ 173,000
	Less Exclusion	<u>80,000</u>
	Taxable Gross Receipts	\$ 93,000
	Tax Rate	<u>x .00576</u>
	Tax Due	\$ 536

(Note: Delaware requires that tax due be rounded-off to the nearest dollar amount.)

Due Dates of Returns

New licensees will file on a quarterly basis through their first calendar year. The Division of Revenue will then perform a 'lookback' procedure and determine if the filing frequency should be changed.

Monthly Filers 20th day of the following month
Quarterly Filers 20th day of the 1st month after the end of the quarter

Beginning January 1, 1999

Monthly Filers 20th day of the following month
Quarterly Filers last day of the first month after the end of the calendar quarter.

Gross Receipts Tax Exemption

Effective January 1, 1997, House Bill No. 678, exempts from business license gross receipts tax transactions between small, closely held firms. To qualify, the subject firms must be 80% owned by the same five or fewer shareholders, or 100% owned by the same family.

Common Ownership/Direction

Businesses which operate their separate branches by the use of separate operating corporations are only entitled to one monthly or quarterly exclusion for the enterprise to the extent that the corporations have common ownership or common direction and control.

Caution Concerning Multiple Exclusions

Nearly all licensees are permitted to reduce their monthly or quarterly gross receipts by certain specific exclusions in determining their taxable gross receipts. The Delaware Code limits the number of allowable exclusions for each general business activity. A taxpayer conducting a business activity for which an exclusion is provided is entitled to **ONLY ONE** monthly or quarterly exclusion regardless of the number of locations at which such activity is conducted. For example, a taxpayer who operates multiple convenience stores at which gasoline is also sold should aggregate the receipts from all goods sold at all locations and subtract only one monthly exclusion. Separate retail licenses are not required for the sale of food and petroleum products. While the Division of Revenue may assign a unique business code which reflects the primary product sold, retailers, wholesalers and manufacturers may sell or manufacture multiple product lines without obtaining a separate license for each product line. However, separate licenses are required and separate exclusions are permitted if a taxpayer conducts more than one **ACTIVITY**, such as retailing and wholesaling.

Regulatory and Local Requirements

The Business License Issued by the Division of Revenue is not a regulatory license and the issuance of such license does not attest to the qualifications of the applicant to perform the activity described on such license. Many local jurisdictions have requirements for a business license and may have restrictions concerning the locations of conducting the referenced business activity. Please check with the local government office in the town, city or county in which you will conduct your business.

The State of Delaware also has a Division of Professional Regulations. Many occupations and some types of equipment have regulatory requirements. Please contact the Division of Professional Regulation for more information.

General

If you have any questions, please contact one of the following offices

<i>Wilmington</i>	<i>Dover</i>	<i>Georgetown</i>
Division of Revenue Carvel State Office Building 820 North French Street Wilmington DE 19801 (302) 577-8205	Division of Revenue Thomas Collins Building 540 South DuPont Highway Suite 2 Dover DE 19901 (302) 744-1085	Division of Revenue Suite 2 422 N. DuPont Highway Georgetown DE 19947 (302) 856-5358

or by e-mail at: eliott.johns@state.de.us (302) 577-8262

